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## IHS MARKIT BRAZIL SERVICES PMI®

INCLUDING IHS MARKIT BRAZIL COMPOSITE PMI®

### Service sector growth loses momentum in November

#### KEY FINDINGS

Slower increase in new orders curbs output growth

Weakest rise in jobs in four months

Business sentiment improves

November data showed a cooling service sector in Brazil, with a softer expansion in new work intakes restricting growth of output and employment. However, business confidence regarding the 12-month outlook for activity strengthened to a three-month high. On the price front, there were softer increases in both input costs and output charges midway through the final quarter of the year.

Falling from 51.2 in October to 50.9 in November, the seasonally adjusted IHS Markit Brazil Services Business Activity Index pointed to the weakest increase in output in the current five-month period of expansion. Anecdotal evidence indicated that growth was underpinned by new business wins, but curbed by still fragile demand and economic conditions.

Sub-sector data indicated that business activity and sales increased in four of the five monitored categories, in both cases led by Information & Communication, with the sole exception being Real Estate & Business Services.

Although services companies noted a further increase in new orders, the rate of expansion softened to the weakest in the current five-month sequence of growth. Where sales rose, survey participants reported improved demand and new client wins.

One factor curbing the upturn in total sales was a renewed contraction in new export orders. After increasing in October for the first time in eight months, there was a slight drop in new work from overseas during November.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

November data highlighted an increasing degree of spare capacity among service providers, with outstanding business declining at a sharper pace than in October.

Subsequently, job creation moderated. Firms that hired additional workers commented on improved demand, while those that noted job shedding cited cost-reduction initiatives and revenue loss. The overall rate of employment growth was marginal and the weakest in the current four-month sequence of expansion.

Amid reports of higher prices paid for fuel and meat, as well as currency weakness, average cost burdens continued to increase. The rate of inflation, although marked, softened to a three-month low and was below its long-run average. The steepest upturn in costs was registered among companies operating in the Transport & Storage segment.

Similarly, selling prices were raised to a lesser extent, with the overall rate of inflation at a four-month low. Those firms that lifted their fees reported the pass-through of greater cost burdens to their clients.

Brazilian services companies were strongly upbeat towards the year ahead, with optimism boosted by hopes of favourable public policies, expanded client bases and better economic conditions. The overall level of positive sentiment strengthened to a three-month high and surpassed its long-run average.

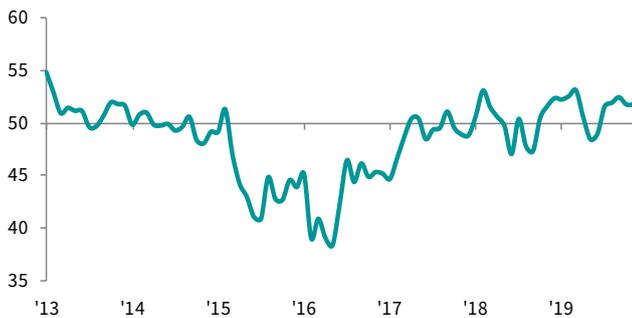
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## IHS MARKIT BRAZIL COMPOSITE PMI®

## Private sector growth holds steady in November

### Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Brazilian private sector output increased at the same rate as in October, as a quicker upturn in manufacturing production offset a slowdown in growth of services activity. The Composite Output Index\* was at 51.8 in November, unchanged from October and in expansion territory for the fifth month in a row. The latest reading was indicative of a moderate pace of growth that outpaced the long-run survey average.

Although aggregate new orders continued to rise, the increase was modest and softened to the slowest in five months. PMI data highlighted divergences at the sector level, with sales growth softening in services and accelerating in manufacturing.

Marginal increases in employment were seen in both the manufacturing and service economies in November. As a result, job creation at the composite level moderated to the weakest in the current four-month sequence of expansion.

Input cost inflation across the private sector eased from October's five-month high, with softer increases in cost burdens signalled by goods producers and service providers. Subsequently, there were weaker rises in selling prices in both sectors.

Lastly, the overall level of business confidence strengthened to a three-month high in November and surpassed the series average.

*\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Brazil Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.*

### COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

*"The PMI results for the Brazilian private sector economy, which show stable growth of output, mask notable discrepancies at the sector level.*

*"In the manufacturing industry, there were marked and accelerated expansions in factory orders and production, while services activity and sales posted marginal and slower rates of increase. One area of similarity was that for employment, with only negligible job creation recorded across both sectors.*

*"One favourable outcome from the services survey was evidence of easing inflationary pressures. If input cost inflation continues to be restrained in the coming months, companies might be able to stimulate demand by charging less for the provision of services. Another positive came from signs of improving business confidence, which were largely based on hopes of public policy reforms and new business wins in the year ahead."*

## CONTACT

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### Methodology

The IHS Markit Brazil Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2019 data were collected 12-26 November 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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